

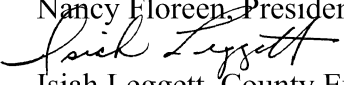


OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

January 15, 2010

TO: Nancy Floreen, President, Montgomery County Council
FROM:  Isiah Leggett, County Executive

SUBJECT: Recommended FY11 Capital Budget and FY11-16 Capital Improvements Program

I am pleased to transmit to you, in accordance with the County Charter, my recommended FY11 Capital Budget and FY11-16 Capital Improvements Program (CIP). This CIP supports our shared priorities for excellence in local education at the K-12 and College level, affordable housing, public safety, preserving our infrastructure, expanding our transportation network, promoting economic development, and protecting the environment.

Overall, this CIP addresses our needs for basic infrastructure, education, transportation, public safety, and other critical facilities on a schedule and magnitude that is affordable in relation to the continuing difficulties in the local and national economy and the County's significant fiscal constraints.

Although this six-year CIP includes an increase of general obligation bond funding of \$110 million, this is a very constrained CIP as reflected in the overall tax supported increase of only 5.4 percent for all agencies.

In this CIP, I have taken a number of steps to constrain the overall level of this CIP because of the very serious fiscal constraints we are facing in developing the FY11 operating budget. These steps include reducing the use of current revenue funding across all agencies in FY10 and FY11; maintaining new debt issues at levels we traditionally have judged as affordable; suspending in FY11 our policy on the use of PAYGO in the CIP; redirecting use of the recordation tax premium to the general fund in FY10 and FY11; limiting the number of new projects to restrict related future operating costs from those facilities; and delaying or eliminating other projects. However, from the improvements and initiatives I will describe below, it is also necessary to continue to address critical community priorities and take advantage of favorable pricing in the local construction market.

Below I will provide the CIP highlights for each of the strategic priorities I have focused on as County Executive.

Children Prepared to Live and Learn

This recommendation maintains our commitment to quality education by supporting critical school capacity, modernization, capital maintenance, and health and safety projects in our public schools. I am recommending over 99 percent of the Board of Education's \$1.494 billion request for the six-year period.

My recommendation increases the local share of school funding by \$220.4 million, over a 21 percent increase. General obligation bond funding for school facilities increased by over \$217 million, a 29.4 percent increase which reflects the high priority which we all place on providing our world-class school system with world-class facilities.

The \$1.485 billion Schools CIP Budget I am recommending represents a 16.8 percent increase from the most recent \$1.271 billion six-year program. Included in the recommended six-year total is \$251.6 million in FY11 which is 99.1 percent of the Board's original request and draws on approximately 58 percent of all general obligation bonds issued for that year. We are working with Montgomery County Public Schools (MCPS) representatives to ensure that there are no delays in project implementation resulting from the 0.9 percent shortfall in FY11. However, in FY12, the Board of Education will need to defer some project expenditures into FY13 and FY14 to meet the very real fiscal constraints in FY12. In order to accommodate this level of increase to the Schools CIP, it was necessary to defer, delay, or reduce projects in other agencies.

This CIP maintains the FY09-14 amended modernization schedule and adds funding for Wootton High School and Eastern Middle School. I am recommending addressing capacity needs from higher enrollment by reopening two schools as holding schools and constructing eight elementary school additions, one high school addition, a new elementary school, and a new middle school. In addition, I am recommending increased funding to address countywide infrastructure needs for systemic projects including heating ventilation and air conditioning, restroom renovations, relocatable classrooms, technology modernization, and life-cycle asset replacement.

Fully funding the MCPS capital program is one of our most important shared objectives. However, I continue to be concerned with the cost and scope of the school modernization program. The costs of these modernizations have continued to grow from approximately \$300 million, as recently as FY06, to over \$700 million in this CIP. A single "modernization" of a high school now costs over \$100 million. The size and scope of the MCPS modernization program makes it difficult to fund other school construction priorities including infrastructure maintenance projects. This issue will be exacerbated as the many schools built by the County in the late 1980's and early 1990's age and require significant work. I recommend that we comprehensively revisit the costly practice of "tear down and rebuild" modernizations. Other jurisdictions are able to accomplish their modernization projects at a reduced cost, by limiting the scope of these modernizations and working within the existing building envelopes. The need to address other MCPS and County capital priorities, while living within our debt capacity limits, make it incumbent on the Community to consider whether we can accomplish the goals of safe, clean, modern school buildings in a more cost effective manner.

Further, this budget lays the foundation for environmentally sensitive and sustainable growth. I have included funds to design and construct the relocation and modernization of the MCPS Food Distribution Facility project, which is part of the Smart Growth Initiative. This project is essential to implementation of the transit-oriented urban village in the Shady Grove Sector Plan.

I recommend that we continue our investment in expanded facilities at all three Montgomery College campuses to serve the growing student population, and maintain our investment in capital maintenance and information technology resources to preserve and improve the functionality of existing facilities. While the overall allocation of funding for the College CIP is reduced from the prior CIP, this is due, in part, to the completion or partial completion of previously approved projects. I am recommending funds for completion of the Rockville Science Center and the Bioscience Education Center on the Germantown Campus. In addition I am adding construction funding for the Science East Building Renovation on the Rockville campus which will provide expanded and up-to-date facilities for the science departments and leverage significant State funding. I am also recommending planning and design funds for the Takoma Park/Silver Spring Math and Science Center and full funding for the College's information technology needs. Because of projected limitations in available State aid, we have very conservatively estimated the receipt of such aid. We will continue to work with our State delegation to increase State participation in expanding and renovating College facilities. In addition, we are aggressively pursuing Federal aid for the College.

Safe Streets and Secure Neighborhoods

I am recommending funding to complete construction of fire stations in Cabin John, Travilah, and Glenmont. We will continue to work with local volunteer fire departments to relocate the Wheaton Rescue Squad and expand the Cabin John Station. I have provided funding to plan and design the replacement or renovation of Glen Echo #11, Kensington (Aspen Hill) #25, and Clarksburg fire stations. As the first phase of a broader County-wide enterprise fuel management system, this CIP includes funds for a new project for more effective fuel management and dispensing at County and volunteer fire and rescue stations.

This budget includes full funding to complete the 6th District Police Station in the Upcounty area, the 3rd District Police Station in Silver Spring/White Oak area, and to relocate and modernize the County's Animal Shelter. In addition, funds are included to begin planning and design of the renovation of the 5th District Police Station in Germantown, and to upgrade and expand the Outdoor Firearms Training Center in Poolesville.

I am recommending funds for the completion of the Judicial Center Annex project on the current approved project schedule.

In addition, funding is included for completion of the Public Safety Headquarters that, as part of the Smart Growth Initiative, will address pressing public safety space needs while realizing efficiencies by co-locating management and certain operational functions for Police, Fire and Rescue Services, and Emergency Management and Homeland Security, as well as the 1st District Police Station. Funds are also included for the planning and design of the Public Safety Training Academy and Multi-Agency Service Park, and planning, design, and construction of the relocated County Radio Shop and the Department of Liquor Control's new facilities. The Smart Growth Initiative also includes relocation of the Equipment and Maintenance Operations Center (EMOC) and is discussed in the transportation section below. All of these relocations will enable the County Service Park to be cleared to make way for a transit-oriented urban village that will generate revenues back to the County to pay for these projects.

The CIP includes funding for two replacement facilities due to recommended closeout of the Detention Center Reuse project. Funding is included for design of a new Criminal Justice Complex (CJC) on the site of the existing District One Police Station, and design of a new Department of Correction and Rehabilitation Staff Training Center at the Montgomery County Correctional Facility.

Additional funding is recommended for the Public Safety Communication System Upgrade and Modernization project to upgrade critical Information Technology (IT) assets for the County's public safety agencies, including funding for a new Computer Aided Dispatch (CAD) system. This project will improve response time, replace outdated equipment for fire station alerting, replace public safety radios, and plan for the infrastructure necessary to upgrade the County's current public safety radio system to support regional interoperable communications.

An Effective and Efficient Transportation Network

This budget includes continued funding to complete the Silver Spring Transit Center and Montrose Parkway West, Father Hurley Boulevard, and Woodfield Road Extended, as well as increased funding to construct the Montrose Parkway East and Chapman Avenue Extended. A new project is recommended to begin planning, design, and right-of-way acquisition for improvements along Snouffer School Road. The completion of these projects will contribute to reducing traffic congestion and improving pedestrian and vehicular safety. Funding has also been added to investigate and prioritize future construction of improvements to Dedicated but Unmaintained County roads.

To expand the capacity of our bus system to provide transit services, we need to provide new and expanded bus depots to park and maintain the bus fleet. Funds are included for construction of the North County Maintenance Depot and relocation of the Equipment and Maintenance Operations to support increasing transit ridership. Funding is also provided for renovations to existing Park and Ride lots, to complete the Transit Center at Montgomery Mall and for the Northern Damascus Park and Ride Lot, and to complete the Brookville Service Park.

We are also enhancing pedestrian safety through continued funding of the Annual Sidewalk program and the Sidewalk and Infrastructure Revitalization project. Additionally, we are including funds to construct Dale Drive Sidewalk, the Greentree Road sidewalk, the Shady Grove Access Bike Path, McArthur Boulevard Bikeway improvements, and to continue design and property acquisition for the Falls Road East Side Hiker/ Biker Path. A new project is recommended to begin planning and design for the Metropolitan Branch Trail project that will provide a connection between the Silver Spring Transit Center and an existing trail in Takoma Park. Funds are also added to construct a bikeway network and pedestrian facilities surrounding the National Naval Medical Center (NNMC) in Bethesda due to the consolidation of certain medical services at NNMC resulting from the Federal Base Realignment and Closure (BRAC) process. These projects will improve pedestrian and cyclist safety and provide alternatives to vehicular travel.

In the last full CIP, I recommended and the Council supported funding to modernize the County's Traffic Signal System because it was nearly 30 years old and vulnerable to a system-wide failure. We recently witnessed the frailty of the existing system and the consequences of its failure. This budget includes funding to accelerate this modernization effort by two years so we can more expeditiously upgrade and replace this system. We will shortly be transmitting a FY10 supplemental appropriation to provide funding to begin the acceleration of this important project.

I continue to recommend funding to address important infrastructure projects including replacing and/or rehabilitating the Clarksburg Road, White Ground Road, and East Gude Drive bridges and a new Cedar Lane Bridge project. Continued funding for the various road maintenance projects, as well as the addition of a new Permanent Patching: Residential/ Rural Roads project, is included in the Recommended CIP. This new project will accelerate repairs for roads requiring extensive patching work, but not scheduled to receive

extensive rehabilitation improvements in the near future. We will shortly transmit to the Council an FY10 supplemental appropriation to add funding to certain road resurfacing projects to advance spending into FY10 that was originally planned for the FY11-16 CIP.

This CIP also includes funding for several storm drainage projects, including construction of new storm drain and roadway improvements on Henderson Avenue in the Kensington-Wheaton planning area and Maple Avenue in Bethesda. In addition, funds are included to construct two additional phases of improvements to the storm drainage system in the Town of Chevy Chase, which will address frequent flooding that occurs in that part of the County due to an aging and inadequate storm drainage system.

While we have made progress toward our transportation funding goals, we must continue to aggressively pursue additional State aid to address traffic congestion and capacity, including State financial commitments to construct the Corridor Cities Transitway and the Purple Line. We will also aggressively pursue any existing or newly authorized Federal funding for eligible transportation projects.

A Strong and Vibrant Economy

While the current economy is a challenge across the Country, we are planning and positioning ourselves to be a prime location for high paying jobs and quality development when conditions improve. As I mentioned above, planning for the relocation of the Public Safety Training Academy is ongoing as part of the Smart Growth Initiative. This will make way for a more robust life sciences center with greater bioscience activities and an expanded higher education presence in a live/work environment that will be served by the Corridor Cities Transitway.

The County has undertaken numerous master plan reviews over the past couple of years and other significant master plan reviews are underway at M-NCPPC. These master plans call for infrastructure to support both jobs and housing. It is expected that there will be projects ready to proceed under the revised White Flint Sector Plan in the next couple of years. Staff is working with the County Council to understand the expenditures and financing vehicles that will be needed for growth in the White Flint Sector.

Executive staff has been working with M-NCPPC and WMATA staff on a Request for Qualifications for redevelopment in downtown Wheaton. The solicitation will be issued imminently. This process is designed to lead to one or more mixed-use projects that will benefit the area. In the meantime, there is cosmetic work to be done that will energize Wheaton and contribute to an inviting environment. Funding is included to continue the streetscaping and façade easements in the Wheaton Redevelopment Program.

Similarly, to enhance our urban environments, streetscape and revitalization efforts are recommended to continue in Fenton Street Village, Long Branch, and Burtonsville. In addition, I am establishing the Focused Neighborhood Assistance project, which will comprehensively address community needs for neighborhood preservation and enhancement, particularly in residential areas.

We are also providing the local funding to establish a live music venue to enhance the Arts and Entertainment District in downtown Silver Spring. This project will bolster economic development and the continued revitalization of downtown Silver Spring. Additionally, I am recommending local matching funds to support capital improvements for local arts organizations which are struggling to maintain viability in this difficult economic environment. This new County funding will leverage private and other governmental funding to maintain the vibrancy of the County's local Arts Community – a vital part of our County's economy and quality of life. In addition, construction of the Silver Spring Library will include substantial space for arts education, display, and programs.

In spite of the trying financial times that we are experiencing, I am continuing to seek out opportunities that will contribute to a vibrant economy. Some of these efforts will be reflected in the operating budget that will follow.

Affordable Housing in an Inclusive Community

Maintaining and growing the stock of affordable housing is a critical objective for Montgomery County to remain competitive in the regional economy. To this end, I am recommending additional funding for the Affordable Housing Acquisition and Preservation project which provides funds for public/private partnerships to maintain and grow the stock of affordable housing in the community. In addition, I have continued funding for the completion of Sprinkler Systems for Housing Opportunities Commission (HOC) Elderly Properties project, as well as for the Supplemental Funds for Public Housing Improvements.

Healthy and Sustainable Communities

This CIP includes an increase of over 240 percent to the Stormwater Management program to improve water quality in the County's streams and to comply with the County's new Municipal Separate Storm Sewer System (MS4) permit that will soon be issued by the Maryland Department of the Environment. This includes significant expansion of our efforts to upgrade existing stormwater management facilities to current standards. As required by the MS4 permit, these efforts will include a special emphasis on Low Impact Design (LID) approaches to controlling stormwater runoff. These increases are funded entirely by the Water Quality Protection Charge (WQPC) and long-term WQPC debt financing to be secured by this charge.

Our recent experience in responding to the H1N1 flu pandemic demonstrated the wisdom of our previous investments in our local public health system. To ensure the continued strength of this system, I am recommending funds to begin planning and design to replace the Dennis Avenue Health Center in Silver Spring with a new building on the current site. The planned new facility will provide improved infrastructure for providing clinical services to our residents while protecting the health of clients and employees. In addition, I am recommending funding for several school health related projects, which will be implemented by MCPS in coordination with ongoing school construction projects including: planning and design and construction of the Weller Road and Viers Mill School Based Health and Linkages to Learning Centers; renovation to several existing Linkages to Learning sites; funding for Child Care Centers at Weller Road and Bel Pre Elementary Schools; planning, design, and construction for the Wheaton Woods and Brown Station Elementary School Child Care Centers; and construction of High School Wellness Centers at Gaithersburg, Wheaton, and Watkins Mill High Schools.

My recommendations will also continue support for our nationally recognized Agricultural Land Preservation Program, including efforts in this CIP to enhance the protection of the agricultural reserve through the acquisition of Building Lot Termination easements. This program will further reduce the amount of agricultural land that can be fragmented by, or developed for, residential uses within the County's agricultural reserve.

I am also recommending adding funding to the CIP of the M-NCPPC for the Brookside Gardens Master Plan Implementation and increased support for Laytonia Recreational Park and M-NCPPC's efforts to enhance Lake Needwood through the removal of sediment. Additional funding is recommended for M-NCPPC's Pollution Prevention and Repairs project to meet environmental conditions. I am supporting funding for two new local parks - Battery Lane Urban Park and the Warner Circle Special Park - and increases for Evans Parkway Neighborhood Park.

Due to its aging water and sewer lines and prior deferrals of infrastructure investments, I recommend a total of \$1,656.6 million for WSSC including a significant expansion of planned water and sewer replacement. We must also support capital investment at Blue Plains. This recommendation is consistent with WSSC's proposed CIP with the exception of six Blue Plains projects, which have been updated to reflect recent estimates from the District of Columbia Water and Sewer Authority. Water/sewer rates are recommended to increase by a maximum 9.9 percent this year to maintain services and support needed infrastructure renewal while staying within the spending affordability limits for WSSC adopted by the Montgomery County Council. Although this is higher than the maximum rate recommended by the Prince George's County Council, we will be working over the winter to reconcile our competing views on spending control guidance to WSSC. The rate increase will support, among other initiatives, seven new Montgomery County and Bi-County projects including two that provide for the replacement of deteriorating large water mains and trunk sewers; increase small water main replacement from 31 to 36 miles per year and maintain sewer main rehabilitation at 42 miles per year.

A Responsive and Accountable County Government

The CIP provides funds for a new project as part of an on-going comprehensive effort to ensure that County buildings and other facilities are built and maintained in compliance with Americans with Disabilities Act (ADA) standards. In addition, in order to maintain existing infrastructure, design funding for the rehabilitation of the Executive Office Building's HVAC system and construction funding for the renovation of the 401 Hungerford Drive parking garage is recommended.

Two years ago I recommended and the Council supported full funding for our efforts to modernize the County's aging information technology infrastructure and to create a 311/Constituent Relationship Management system (MC311). This system will enable County staff to efficiently and effectively receive, track, and respond to resident requests. I am proud to report to the Council that this project is on time and on budget. In December, we opened the MC311 call center for limited operations and are on schedule to fully initiate the call center this coming March. The resources for these important IT tools to modernize the County's business systems will support greater transparency, more productive operation of the government, and an evidence-based approach to addressing public needs. This system will also allow us to better allocate resources in an efficient and effective manner.

Vital Living for All of Our Residents

Full funding is included in this CIP for the completion of the Olney Library and Gaithersburg Library renovations and continuing support is included for beginning the renovation of the Davis Library in FY12 and the Potomac Library in FY13. In addition, I am continuing our support for the construction of the Silver Spring Library and have added funds for the design of the Clarksburg Library.

We are including funding for completion of White Oak and Mid-County Community Recreation Center projects, as well as construction funding for the modernization of the Plum Gar and Scotland Neighborhood Recreation Center projects. Funding is added for the completion of the Good Hope and Ross Boddy Neighborhood Recreation Centers in the Neighborhood Recreation Construction project. I am also including funds for the planning and design of the North Potomac and North Bethesda Community Recreation Centers.

I support the Revenue Authority's request to fund irrigation and clubhouse improvements to the Falls Road, Needwood, Northwest, Poolesville, and Rattlewood golf courses and to continue to implement the Federal Aviation Administration's capital improvement plan for the Montgomery County Airpark.

As I indicated above, there will be need, in subsequent years, for funding relating to the implementation of the White Flint and Gaithersburg West Master Plans when the related capital projects are ready for programming.

Fiscal Summary

The fiscal plan underlying my recommended CIP assumes general obligation borrowing for the six-year period at \$325 million per year, consistent with the Council's Spending Affordability Guidelines (SAG) decision this past fall. I do not recommend increasing SAG in February, and urge the Council to resist pressure to do so. This CIP allocates pay-as-you-go (PAYGO) funding, as a matter of policy, at ten percent of the amount of general obligation bonds to be issued each year, or \$32.5 million per year except in FY11. I am recommending a CIP which is consistent with responsible debt capacity levels necessary to ensure continuation of Montgomery County's AAA credit rating. This high credit rating allows us to borrow funds for our CIP at a low rate, thereby increasing our ability to meet the needs of our residents.

Consistent with our past practice, I am recommending prudent bond-funded set-asides for upcoming projects that are known but for which planning is not complete. I am also recommending \$638.2 million in PAYGO, current revenue, recordation tax, and impact tax funding across the six years to complement the use of bonds. Impact taxes are recommended at estimated levels and reflect the downturn in local development.

The tax supported portion of the FY11-16 Recommended CIP, totals \$3.86 billion, an increase of \$197.5 million or 5.4 percent from the FY09-14 Amended CIP. For all agencies, excluding WSSC, this Recommended CIP totals \$3.9 billion for six years, an increase of \$167.0 million, or 4.5 percent. This increase is due primarily to increased support for our public schools; an increase in County Government needs and is offset by reductions to non-tax supported agencies, Montgomery College, and M-NCPPC. A portion of the reductions are due to the completion of previously approved projects, which no longer appear in the six-year CIP.

My proposals, highlighted in the pages immediately following and detailed in my specific FY11-16 recommendations for projects of County Government, MCPS, Montgomery College, M-NCPPC, WSSC, the Housing Opportunities Commission, and the Revenue Authority, capture the priorities of my administration. Many people have helped to shape the recommendations I bring to you in this budget. I appreciate their efforts and commend their contributions to you. As always, Executive Branch staff is available to assist you in your deliberations on the Capital Budget and CIP.

I wish to thank the members of the regional Citizens' Advisory Boards (CABs), the Board of Education, the College Trustees, the WSSC Commissioners, and the Planning Board for their work. I look forward to discussing with you any policy matters or major resource allocation issues that arise this spring.